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Annual General Meeting—2:30 p.m., April 9, 1969, Ontario Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario

THE PIPE LINE TRANSPORTATION SYSTEM (as at December 31, 1968)

	Canada	United States	Total
Miles of right-of-way	1,037	1,454	2,491
Miles of main line pipe	2,567	2,103	4,670
Number of pumping stations	23	29	52
Installed horsepower—diesel	44,220	87,375	131,595
—electric	168,150	107,250	275,400
Total	212,370	194,625	406,995
Line fill in barrels (provided by shippers)	7,631,000	9,026,000	16,657,000
Tankage capacity in barrels	5,524,000	3,804,000	9,328,000
Refineries served	17	15	32
Separate streams of crude oil transported			26

Cover Picture: Applying protective coating on 34-inch line to Chicago

INTERPROVINCIAL PIPE LINE COMPANY 1968 Annual Report

(Incorporated by Special Act of the Parliament of Canada, April 30, 1949)

DIRECTORS

Harold Bridges	<i>President and Director, Shell Canada Limited, Toronto</i>
J. A. Cogan	<i>Vice-President and Director, Imperial Oil Limited, Toronto</i>
J. W. Hamilton	<i>Director, Imperial Oil Limited, Toronto</i>
T. S. Johnston	<i>Retired, former Chairman of the Board, Interprovincial Pipe Line Company, Toronto</i>
Trevor F. Moore	<i>Vice-President and Director, Imperial Oil Limited, Toronto</i>
J. Willis Morgan	<i>Vice-President, Gulf Oil Canada Limited, Toronto</i>
R. D. Parker	<i>Consultant, former Senior Vice-President and Director, The International Nickel Company of Canada, Limited, Toronto</i>
W. Harold Rea	<i>Chairman of the Board, Great Canadian Oil Sands Limited, Toronto</i>
R. H. Reid	<i>President and Managing Director, London Life Insurance Company, London, Ontario</i>
D. G. Waldon	<i>President, Interprovincial Pipe Line Company, Toronto</i>
D. R. Walker	<i>Retired, former Vice-President and Director, Wood, Gundy & Company Limited, Toronto</i>

OFFICERS

D. G. Waldon	<i>President</i>
D. R. Walker	<i>Vice-President</i>
J. W. Hamilton	<i>Vice-President</i>
J. Blight	<i>Secretary-Treasurer</i>
R. B. Burgess	<i>General Counsel</i>
R. K. Heule	<i>General Manager</i>
F. B. Newton	<i>Assistant Treasurer</i>
E. G. Sheasby	<i>Assistant General Counsel & Assistant Secretary</i>

1968 Highlights

FINANCIAL	1968	1967	Percentage Increase (Decrease)
Transportation revenue	\$105,532,000	\$92,893,000	13.6%
Other income	\$ 1,049,000	\$ 1,548,000	(32.2)
Expenses, except taxes	\$ 48,081,000	\$41,083,000	17.0
Income and other taxes	\$ 35,166,000	\$30,833,000	14.1
Earnings	\$ 23,334,000	\$22,525,000	3.6
per share	\$0.92	\$0.89	
Dividends	\$ 18,316,000	\$18,315,000	—
per share	\$0.72	\$0.72	
Cash flow from operations	\$ 45,864,000	\$39,053,000	17.4
per share	\$1.80	\$1.54	
Capital expenditures	\$114,189,000	\$76,721,000	48.8

OPERATING

Deliveries (barrels per day)	716,727	637,290	12.5
Barrel miles (millions)	337,978	289,691	16.7
Number of employees—December 31	562	621	(9.5)
Investment in plant, per employee	\$ 923,000	\$ 653,000	41.3



Modifying Edmonton tank farm piping

Directors' Report to Shareholders

Deliveries of crude oil and natural gas liquids in 1968 totalled 262.3 million barrels—nearly 30 million more than in 1967. This record throughput, coupled with the largest expansion program in the history of the company, resulted in a very active year.

Earnings were also higher than in 1967. Net income amounted to \$23.3 million, equivalent to 92¢ per share and would have been 6¢ per share more had it not been for the surtaxes levied, effective the first of the year, in Canada and the United States.

The 182-mile 34-inch looping program in Western Canada and Minnesota was completed on schedule. Three lines are now in operation between Regina and Superior.

The largest single construction project in 1968 was the 464-mile 34-inch line from Superior to the Chicago area. In spite of the heaviest rainfall in years the line was completed and filled by the end of the year. Oil is now being delivered by connecting carriers to refineries in the Detroit/Toledo area by means of this line as well as by the northern line via the Straits of Mackinac.

Several refineries in the Chicago area have indicated an interest in Canadian crude but deliveries are not expected to commence before 1970. In this connection your attention is drawn to Note 9 to Financial Statements.

To be in a position to meet the increasing demand for Western Canadian crude oil in the areas served by the



Installing pipe in swampy area

company, the Edmonton to Regina section of the system will be "looped out" in 1969 by the addition of 170 miles of 34-inch pipe and the second line between Superior and Sarnia via Chicago will be completed. The latter consists of constructing a 290-mile 30-inch line from Griffith, Indiana, to Sarnia. These two projects, together with additional tankage, horsepower and tank farm modifications, will cost approximately \$75 million. Arrangements have been made to borrow the funds required for this expansion program.

The discovery of oil in Alaska, and the recent announcement that a company had been formed to construct a 48-inch pipe line across that State to a port on the Gulf of Alaska, to be in operation in 1972, has undoubtedly come to the attention of shareholders. The construction of this pipe line and the subsequent marketing of the newly found production could have a bearing on the quantity of crude oil Interprovincial

delivers into the United States. However, it is too early to assess what the effect, if any, will be on Interprovincial's operations.

FINANCIAL REVIEW

The Consolidated Financial Statements and the Notes, appearing on pages 12 through 18, include the accounts of Interprovincial Pipe Line Company and its subsidiaries which are wholly owned. These are Lakehead Pipe Line Company, Inc., which owns and operates the portion of the pipe line system in the United States, and its wholly owned subsidiary, Pipe Line Service Company, Inc., which owns and operates the aircraft and radio communication system in the United States. Interprovincial also has a Canadian subsidiary, Interprovincial Pipe Line Patrol Company Limited, which is inactive.

TARIFFS

Interprovincial and Lakehead are engaged exclusively in the transportation of crude oil and other liquid hydrocarbons by pipe line at established tariffs. Tariffs remained unchanged during the year and from the two main receiving points to the principal delivery locations are presently as follows:

To	Rates for light crudes in cents per barrel	
	From	
	Edmonton	Cromer
Regina	20.7¢	—¢
Gretna	29.5	11.4
Clearbrook	32.5	16.7
Superior	36.3	22.5
Detroit/Toledo	53.0*	42.3*
Sarnia	48.0	37.3
Toronto area	51.0	40.3
Buffalo	53.0	42.3

*Joint rates with connecting carriers

INCOME AND EXPENSES

As a result of the increased deliveries of crude oil, transportation revenue in 1968 at \$105.5 million was 13.6% higher than in 1967. Other income was \$500,000 lower than in 1967 due to a decrease in cash available during the year for short term investment.

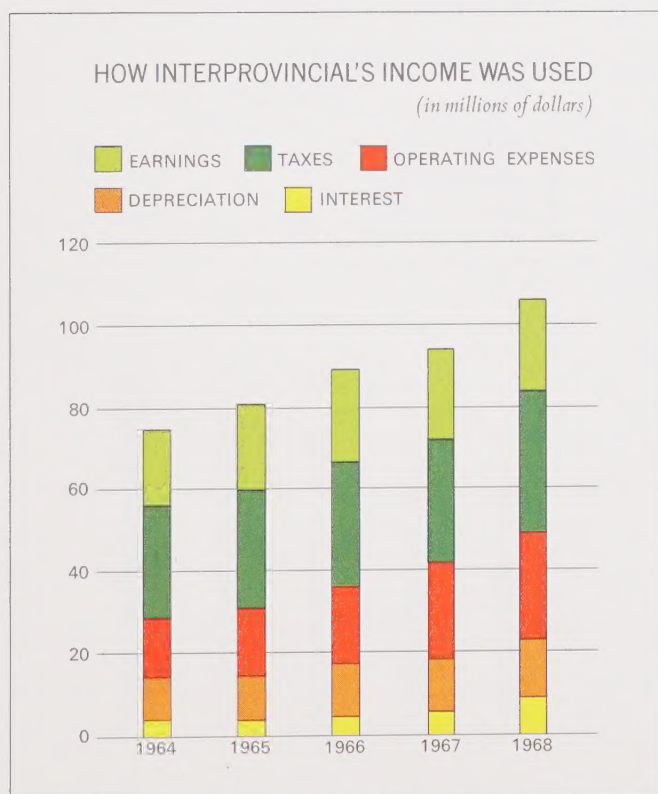
Operating and administrative expenses of \$25.7 million were \$3.3 million more than last year with fuel and electric power costs accounting for almost all of the increase. The ten temporary pumping stations on the 30-inch line between Superior and Sarnia alone accounted for \$1.4 million of the increase. As planned, these stations will be taken out of service when the second line between Superior and Sarnia via Chicago is completed towards the end of 1969.

When this line is completed it will be possible to further reduce the fuel and power costs east of Superior by dividing the pumpings ex Superior between the two lines in the most economical manner. Completion of the third line between Edmonton and Regina in 1969 will also result in lower unit fuel and power costs in that section of the system.

Property taxes, depreciation and interest also increased substantially in 1968 as a result of the \$76.7 million expansion program in 1967.

EARNINGS AND DIVIDENDS

The higher transportation revenue, which was largely offset by additional expenses mentioned previously, resulted in 1968 earnings of \$23.3 million, an increase of 3.6% over the \$22.5 million earned in 1967. Earnings per share were 92¢ compared to 89¢ per share earned in the previous year.



Dividends paid to shareholders of 72¢ per share totalled \$18.3 million and represented 78% of 1968 earnings. The quarterly dividend rate of 18¢ per share remained the same as in the previous year.

TAXES

All forms of taxes imposed by the various levels of government in both Canada and the United States charged to operations in 1968 amounted to \$35.2 million. This is \$4.3 million more than in 1967 and is the equivalent of \$1.38 per share.

As previously mentioned, the income tax surcharges of 3% in Canada and 10% in the United States, effective January 1, 1968, had an appreciable effect on earnings amounting to \$1.4 million or almost 6¢ per share. Although the surtaxes are scheduled to expire on June 30, 1969 in the United States and on December 31, 1969 in Canada, it is quite probable, particularly in the United States, that their expiry dates will be extended.

FINANCING

To provide the funds required for the United States portion of the 1968 construction program, Lakehead sold, on April 15, 1968, \$75 million (U.S.) 7 $\frac{1}{8}$ % 25 year sinking fund debentures.

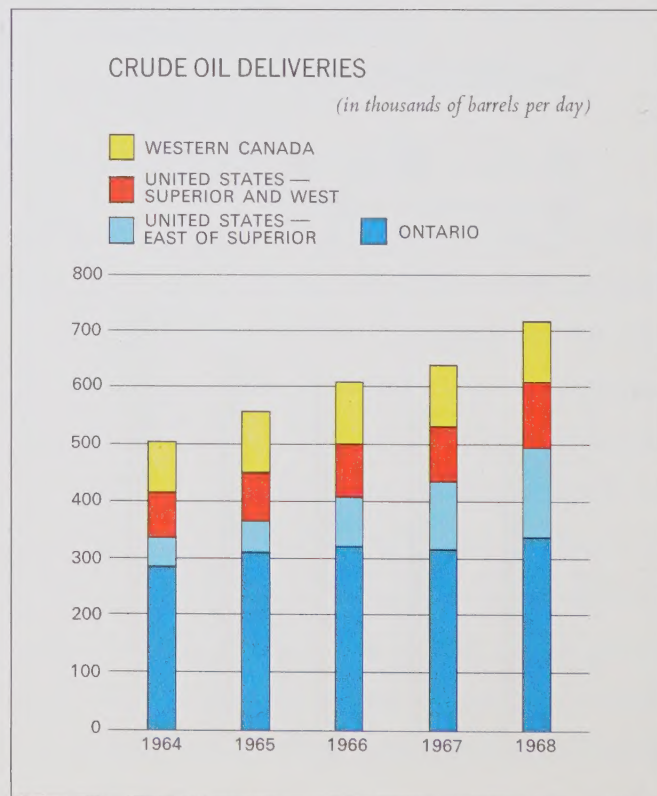
The additional funds required for the 1968 expansion program in Canada were derived from short term borrowings.

In 1969, approximately \$85 million in additional financing will be required to: complete the planned construction program; redeem the balance of the Series A and B 3 $\frac{1}{2}$ % Bonds totalling \$15 million which mature on January 1, 1970; and refinance the \$11.2 million in

short term borrowings. Arrangements have been made to borrow the \$85 million referred to above, of which \$20 million will become due July 1, 1971 and the remaining \$65 million will be repaid over seven years. Further details are set forth in Note 8 of the Notes to Financial Statements. It is anticipated that a portion of these loans will be refinanced prior to July 1, 1971.

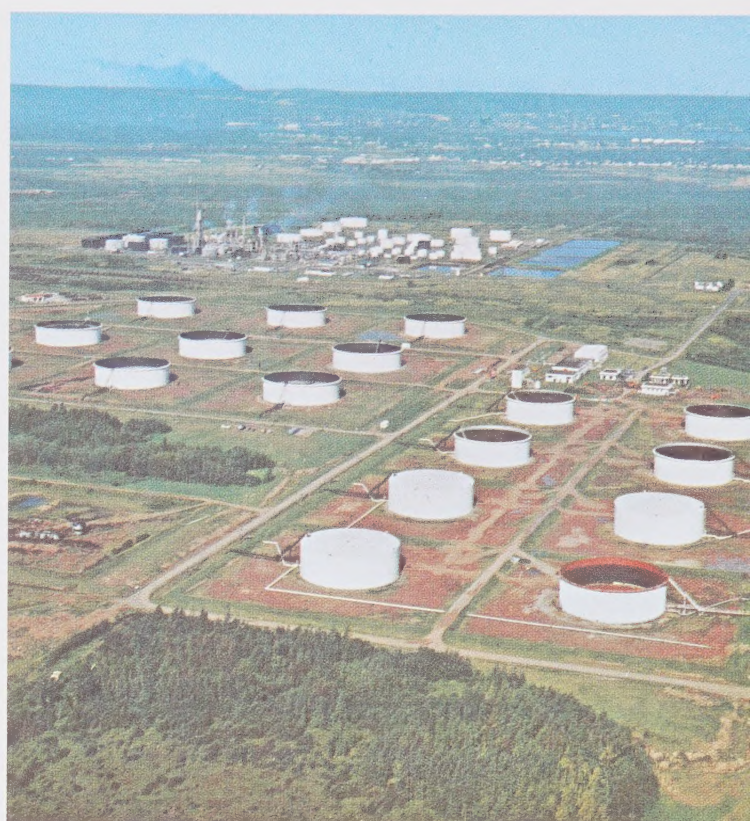
OPERATIONS REVIEW

The volume of crude oil and natural gas liquids received into the system at the seven established receiving points averaged 729,779 barrels per day, an increase of 13.1% over 1967. As will be noted from the table on the following page, most of the increase originated from oilfields in Alberta. In September 1968 the company began receiving approximately 500 barrels per day of Ontario production at Sarnia for delivery to a Toronto refinery.





Edmonton tank farm and pumping stations



Superior tank farm and pumping stations

CRUDE OIL RECEIPTS
(in thousands of barrels per day)

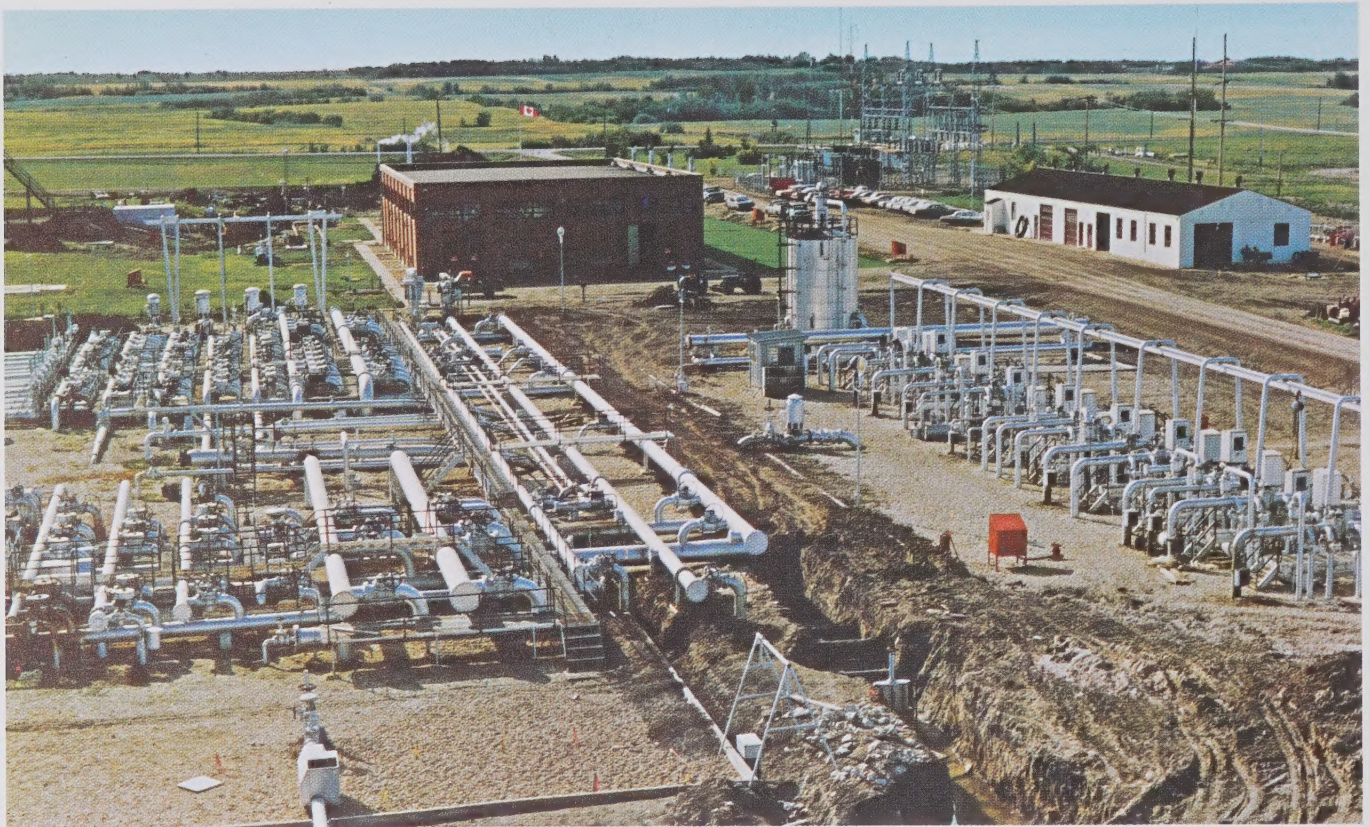
	1968	1967
Alberta	475.5	386.3
Saskatchewan	236.6	239.5
Manitoba	17.5	15.9
Ontario	0.2	—
United States	—	3.5
	<u>729.8</u>	<u>645.2</u>

CRUDE OIL DELIVERIES
(in thousands of barrels per day)

	1968	1967
Western Canada	106.8	107.0
United States		
Superior and West	116.2	97.4
East of Superior	155.1	114.9
Ontario	338.6	318.0
	<u>716.7</u>	<u>637.3</u>

Crude oil deliveries averaged 716,727 barrels per day, an increase of 12.5% over 1967 with an all-time high of 758,246 barrels per day being established during September.

The difference between the volume received and delivered consists largely of the 3.7 million barrels of oil required to fill the loops and the extension to Chicago constructed during the year. The balance consists of



Meter bank and tank farm manifold at Edmonton station

an increase in working stocks, oil consumed as fuel and losses.

The growth in barrel miles of 16.7% was considerably more than the growth in deliveries. This reflects the increase in receipts of crude oil from Alberta together with greater deliveries to refineries at the eastern end of the system.

CONSTRUCTION

1968 REVIEW

To provide for anticipated growth in deliveries in 1969 and subsequent years, the most extensive expansion program in the company's history was undertaken. Capital expenditures totalled \$114.2 million.

The most significant single project in 1968 was the 464-mile 34-inch line from Superior to Griffith, Indiana

which was completed and filled by December 18. The six contractors who worked on this project were considerably hampered by unusually wet weather and were unable to restore a large part of the right-of-way to its proper condition. This clean-up work will be resumed in the spring.

The third line between Edmonton and Superior was brought a step nearer completion by installing 182 miles of 34-inch pipe in ten sections. The 92 miles of pipe installed between Edmonton and Regina leaves 170 miles to complete this section and the 90 miles installed between Regina and Superior completed the third line between these two points.

Eight pumping units totalling 15,090 horsepower were added to existing pumping stations between Edmonton

and Superior and extensive modifications were made to the Edmonton and Superior tank farms to increase their pump out capabilities. Four floating roof tanks were also erected, two at Edmonton and one each at Superior and Sarnia.

1969 FORECAST

The third line between Edmonton and Superior will be completed in 1969 by the installation of 170 miles of 34-inch pipe in six sections between Edmonton and Regina. The second line between Superior and Sarnia will also be completed by constructing a 290-mile 30-inch line between Griffith, Indiana and Sarnia. Approximately 70% of the right-of-way for this line was acquired in 1968.

Additional pumping units having a total of 17,000 horsepower will be added to existing pumping stations and four new pumping stations having a total horsepower of 22,500 will be constructed between Superior and Sarnia on the southern line through Chicago. Further piping modifications will be made at the Edmonton and Superior tank farms to further increase their pump out capabilities and a 217,000-barrel floating roof tank will be erected at Edmonton.

As previously indicated, the estimated cost of this program is \$75 million. This amount, together with the \$2 million required to complete 1968 projects, is expected to result in capital expenditures in 1969 of \$77 million.

Upon completion of these projects the system will consist of three parallel lines between Edmonton and Superior and two lines between Superior and Sarnia, one north and the other south of Lake Michigan, with an extension from Sarnia to Toronto and a lateral line to the Buffalo area. (See map in centrefold.)

CAPACITY

Based on presently estimated volumes of light and heavy crudes, the annual average physical capacities of the various sections of the pipe line system that will be available for 1969 and 1970 operations are as follows:

Line Section	In thousands of barrels per day	
	1969	1970
Edmonton-Regina	633	1,001
Regina-Cromer	823	873
Cromer-Gretna	862	1,027
Gretna-Superior	821	983
Superior-Sarnia		
via Straits of Mackinac	536	538
Superior-Chicago	204	319
Chicago-Sarnia	—	319
Sarnia-Port Credit	281	287
Westover-Buffalo	79	84

PERSONNEL

The success the company enjoyed in 1968 was in no small way due to the conscientious efforts of all employees. The directors and management once again welcome this opportunity of expressing their thanks for a job well done.

No report on 1968 would be complete without reference to Mr. T. S. Johnston who retired as Chairman of the Board on May 1, 1968 after more than forty years of distinguished service in the petroleum industry. Mr. Johnston has made a substantial contribution to the success of the company and has kindly consented to continue as a director.

On behalf of the Board of Directors


President



INTERPROVINCIAL PIPE LINE COMPANY

And its United States Subsidiary

LAKEHEAD PIPE LINE COMPANY, INC.

Legend		
SIZE IN INCHES		LENGTH IN MILES
12		92
16		428
18		363
20		658
24		772
26		326
30		640
34		1,391
		<hr/> 4,670

1969 CONSTRUCTION

LINE LOOPING—460 MILES

NEW PUMPING STATIONS

EXISTING PUMPING STATIONS

TEMPORARY PUMPING STATIONS





O N T A R I O

Q U E B E C

R
INO
SAXON
GOGEBIC
IRON RIVER
RAPID RIVER
GOULD CITY
MANISTIQUE
INDIAN RIVER
MACKINAW
LEWISTON
WEST BRANCH
BAY CITY
NORTH BRANCH
WESTOVER
PORT CREDIT
SMITHVILLE
BUFFALO
NEW YORK
KEYSER
SARNIA
BRYANSTON
DETROIT
CHICAGO
GRIFFITH
TECUMSEH
BUCKEYE
TOLEDO
CYGNET

W I S C O N S I N

M I C H I G A N

I L L I N O I S

I N D I A N A

O H I O

Consolidated statement of source and application of funds (Canadian dollars)

	Year ended December 31	
	1968	1967
<i>Funds were provided from the following sources:</i>		
Earnings for the year	\$ 23,334,000	\$ 22,525,000
Add—Non-cash charges to earnings:		
Depreciation and amortization (Note 2)	13,677,000	12,683,000
Deferred income taxes (Note 4)	4,706,000	2,478,000
Deferred investment tax credit, net (Note 5)	3,904,000	1,250,000
Other	243,000	117,000
Funds provided from operations	45,864,000	39,053,000
Long term debt issued by Lakehead Pipe Line Company, Inc.—		
6½% Sinking Fund Debentures, Series A	—	32,298,000
7⅛% Sinking Fund Debentures, Series B	80,755,000	—
Income tax recoverable (Note 5)	1,765,000	—
Other transactions, net	212,000	(229,000)
	128,596,000	71,122,000
<i>Funds were expended for the following:</i>		
Dividends	18,316,000	18,315,000
Long term debt transferred to current liabilities	24,689,000	10,194,000
Additions to pipe line transportation system	114,189,000	76,721,000
Cost of issuing long term debt	1,460,000	578,000
	158,654,000	105,808,000
Change in working capital (decrease)	(30,058,000)	(34,686,000)
Working capital (deficit) at beginning of year	(10,277,000)	24,409,000
Working capital (deficit) at end of year	<u>\$ (40,335,000)</u>	<u>\$ (10,277,000)</u>

The accompanying notes are part of the financial statements.

Consolidated statement of earnings (Canadian dollars)

	Year ended December 31	
	1968	1967
<i>Income:</i>		
Transportation revenue	\$105,532,000	\$92,893,000
Other income	1,049,000	1,548,000
	<u>106,581,000</u>	<u>94,441,000</u>
<i>Expenses:</i>		
Operating and administrative	25,665,000	22,328,000
Taxes, other than income taxes	5,789,000	4,636,000
Provision for depreciation (Note 2)	13,132,000	11,464,000
Interest on long term debt	8,608,000	5,697,000
Loss on foreign exchange (Note 1)	131,000	375,000
Amortization of facilities to be retired (Note 2)	545,000	1,219,000
	<u>53,870,000</u>	<u>45,719,000</u>
Earnings before income taxes	52,711,000	48,722,000
<i>Provision for income taxes:</i>		
Current	20,767,000	22,469,000
Deferred (Note 4)	4,706,000	2,478,000
Deferred investment tax credit, net (Note 5)	3,904,000	1,250,000
	<u>29,377,000</u>	<u>26,197,000</u>
Earnings for the year	<u>\$ 23,334,000</u>	<u>\$22,525,000</u>
Earnings per share	<u>\$0.92</u>	<u>\$0.89</u>



Consolidated statement of retained earnings (Canadian dollars)

	Year ended December 31	
	1968	1967
Balance at beginning of year	\$ 53,469,000	\$49,259,000
Earnings for the year	23,334,000	22,525,000
	<u>76,803,000</u>	<u>71,784,000</u>
Dividends	18,316,000	18,315,000
Balance at end of year	<u>\$ 58,487,000</u>	<u>\$53,469,000</u>

The accompanying notes are part of the financial statements.

Consolidated balance sheet (Canadian dollars)

ASSETS

	December 31	
	1968	1967
<i>Current Assets:</i>		
Cash	\$ 1,610,000	\$ 898,000
Term deposits with Canadian chartered banks	1,902,000	801,000
Short term investments, at cost which is equivalent to market	2,078,000	475,000
Accounts receivable—		
Debenture proceeds	—	3,886,000
Transportation charges	6,904,000	6,651,000
Income tax recoverable (Note 5)	1,765,000	—
Other	1,126,000	556,000
Deposit for bond interest due January 1	326,000	409,000
Inventory of materials and supplies, at cost	2,082,000	1,677,000
Prepaid expenses	343,000	471,000
	<u>18,136,000</u>	<u>15,824,000</u>
<i>Other Assets and Deferred Charges:</i>		
Unamortized discount and expense on long term debt	2,678,000	1,342,000
Other	730,000	1,340,000
	<u>3,408,000</u>	<u>2,682,000</u>
<i>Pipe Line Transportation System, at cost (Note 2)</i>	<i>518,799,000</i>	<i>405,657,000</i>
Less—Accumulated depreciation	137,584,000	124,790,000
	<u>381,215,000</u>	<u>280,867,000</u>
<i>Approved on Behalf of the Board:</i>		
 Director		
 Director	<u>\$402,759,000</u>	<u>\$299,373,000</u>

LIABILITIES

	December 31	
	1968	1967
<i>Current Liabilities:</i>		
Bank loans (Note 8)	\$ 11,200,000	\$ —
Accounts payable	7,886,000	5,635,000
Interest accrued	3,387,000	2,316,000
Income and other taxes	11,108,000	7,511,000
Long term debt due within one year (Note 3)	24,890,000	10,639,000
	<u>58,471,000</u>	<u>26,101,000</u>
<i>Long Term Debt</i> (Notes 3 and 8)	<u>197,257,000</u>	<u>141,191,000</u>
<i>Deferred Income Taxes</i> (Note 4)	<u>34,574,000</u>	<u>30,315,000</u>
<i>Deferred Investment Tax Credit</i> (Note 5)	<u>8,457,000</u>	<u>2,788,000</u>
<i>Shareholders' Equity:</i>		
Capital stock (Note 6)—		
Authorized—\$100,000,000 divided into 100,000,000		
shares, par value \$1 each		
Issued—1968—25,438,835 shares	25,439,000	—
—1967—25,438,560 shares	—	25,439,000
Contributed surplus—premium on shares (Note 6)	20,074,000	20,070,000
Retained earnings	58,487,000	53,469,000
	<u>104,000,000</u>	<u>98,978,000</u>
<i>Contingent Liability</i> (Note 9)		
	<u>\$402,759,000</u>	<u>\$299,373,000</u>

The accompanying notes are part of the financial statements.

Notes to consolidated financial statements (Canadian dollars)

1. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of Interprovincial Pipe Line Company and its wholly owned subsidiaries. These are Interprovincial Pipe Line Patrol Company Limited in Canada and Lakehead Pipe Line Company, Inc., and its subsidiary, Pipe Line Service Company, Inc., in the United States.

United States dollar amounts have been translated into Canadian dollars on the following bases:

Current assets and liabilities—at the rate of exchange December 31;

Other assets and liabilities—at historical rates of exchange except for accumulated depreciation which is translated on the basis of equivalent Canadian dollar cost of the related fixed assets;

Income and expenses—at monthly rates of exchange except provision for depreciation which is translated on the same basis as the related fixed assets.

Net losses arising from the foregoing methods are shown on the Consolidated Statement of Earnings as Loss on foreign exchange.

2. PIPE LINE TRANSPORTATION SYSTEM:**PROVISION FOR DEPRECIATION:****AMORTIZATION OF FACILITIES TO BE RETIRED:**

The pipe line transportation system and accumulated depreciation by major classes are as follows:

	Investment, at cost	Accumulated depreciation	Net investment December 31	
	December 31, 1968		1968	1967
	(in thousands of dollars)			
Land	\$ 1,319	\$ —	\$ 1,319	\$ 829
Rights-of-way	7,348	1,666	5,682	2,519
Pipe line	396,841	103,465	293,376	202,986
Pumping equipment, buildings and tanks	108,104	32,453	75,651	69,870
Construction in progress	5,187	—	5,187	4,663
	<u>\$518,799</u>	<u>\$137,584</u>	<u>\$381,215</u>	<u>\$280,867</u>

It is estimated that 1969 capital expenditures to complete construction in progress and for further expansion, will total approximately \$76,900,000. These expenditures will be financed by bank loans and funds generated within the companies. See Note 8 for details of 1969 financing.

The companies' policy is to provide for depreciation of fixed assets on the straight line method, at annual rates which will amortize the cost of depreciable properties over their estimated service lives, after taking into account possible salvage values. The rate of depreciation on the pipe line transportation system averages approximately 3.2%.

It is the companies' policy to capitalize interest during the construction period on funds borrowed specifically for additions to the pipe line transportation system. This amounted to \$2,478,000 during 1968.

Certain temporary pumping facilities constructed in 1967 on the 30-inch pipe line between Superior, Wisconsin and Port Huron, Michigan will become surplus to requirements during 1969. Installation costs associated with these temporary facilities amounted to approximately \$1,100,000 and are being amortized over two years commencing January 1, 1968. Consequently \$545,000 has been charged to earnings during 1968 and is shown on the Consolidated Statement of Earnings as Amortization of facilities to be retired. The surplus pumping facilities will be retained until required elsewhere in the system.

3. LONG TERM DEBT:

	Originally issued	Outstanding December 31	
		1968	1967
		(in thousands of dollars)	
		Expressed in Canadian dollars	
Interprovincial Pipe Line Company—			
First Mortgage and Collateral Trust Bonds—			
Series A—3½% due January 1, 1970	\$37,000 Can.	\$ 9,252	\$ 11,564
B—3½% due January 1, 1970	35,000 U.S.	9,666	12,084
C—4% due April 1, 1973	60,000 U.S.	27,780	31,279
D—3⅝% due April 1, 1974	30,000 U.S.	15,525	17,160
E—5½% due April 1, 1985	12,000 Can.	11,670	12,000
Sinking Fund Debentures—			
Series A—6% due November 1, 1986	35,000 Can.	35,000	35,000
Lakehead Pipe Line Company, Inc.—			
Sinking Fund Debentures (guaranteed by Interprovincial Pipe Line Company)—			
Series A—6½% due August 1, 1992	30,000 U.S.	32,298	32,298
B—7⅞% due April 15, 1993	75,000 U.S.	80,755	—
		221,946	151,385
Less—Long term debt due within one year		24,689	10,194
		\$197,257	\$141,191

Principal repayments required on Long Term Debt for the years 1970 through 1973 expressed in Canadian dollars are \$7,271,000, \$7,341,000, \$8,362,000 and \$16,152,000 respectively.

4. DEFERRED INCOME TAXES:

Under Canadian and United States income tax regulations more depreciation may be deducted for tax purposes than the amounts recorded in the accounts for Provision for depreciation and Amortization of facilities to be retired (Note 2); also, interest capitalized and, in the United States, sales and property taxes capitalized, may be claimed for tax purposes in the year incurred. The companies are taking advantage of the maximum deductions permitted for tax purposes which results in a deferment of taxes to future years when amounts deductible will be less than the depreciation recorded in the accounts.

The amount deferred is shown separately under Provision for income taxes on the Consolidated Statement of Earnings and the accumulated net amount of taxes so deferred is carried on the Consolidated Balance Sheet under the heading Deferred Income Taxes.

5. DEFERRED INVESTMENT TAX CREDIT:

The United States subsidiary companies are allowed a credit against income taxes payable of a specified percentage of the cost of most depreciable assets acquired and placed into service subsequent to December 31, 1961. The investment tax credit has been deferred and is being taken into earnings over the life of the related assets.

A portion of the investment tax credit resulting from the 1968 construction program is in excess of the maximum amount that will be allowed as a credit against 1968 income taxes payable and may be applied against taxes paid in prior years with the result that income taxes of \$1,765,000 previously paid will be recoverable in 1969.

The net charge to earnings, after the deduction of \$1,765,000 referred to above, is shown separately under Provision for income taxes on the Consolidated Statement of Earnings and the accumulated amount of taxes so deferred is carried on the Consolidated Balance Sheet under the heading Deferred Investment Tax Credit.

6. CAPITAL STOCK:

Share purchase warrants outstanding entitle the holders to purchase shares of capital stock of the company on or before November 1, 1976 at \$17 per share. During 1968, 275 shares were issued to holders who exercised their warrants, leaving a balance of 872,575 share purchase warrants outstanding at December 31, 1968. Cash received from the sale of these shares was credited to Capital stock to the extent of par value and the remainder of \$4,000 was credited to Contributed surplus.

7. PENSION PLANS:

The companies have contributory pension plans covering substantially all of their respective employees. The plans were revised for both past and future service effective January 1, 1966 and January 1, 1968 for Interprovincial and Lakehead respectively. The actuarial liability for past service benefits arising from these revisions, in the principal amount of \$2,796,000 at the dates of the revisions, together with interest, will be amortized by charges to earnings over a period of up to twenty years. The total expense of these plans in 1968 amounted to \$571,000 of which \$172,000 is applicable to past service benefits.

8. 1969 FINANCING:

Interprovincial has arranged bank loans of \$50,000,000 on the following bases:

\$20,000,000 (including \$11,200,000 loan outstanding at December 31, 1968) to be repaid by July 1, 1971.

\$30,000,000 repayable over a seven-year period commencing in 1970.

Both loans will bear interest based on the prevailing prime bank rate which may vary from time to time.

Lakehead has arranged a bank loan of \$35,000,000 U.S. repayable over a five-year period commencing in 1970. The loan will be guaranteed by Interprovincial and will bear interest based on the prevailing prime bank rate which may vary from time to time.

Repayment of these loans may be accelerated at any time without penalty.

9. CONTINGENT LIABILITY:

On January 15, 1969 Clark Oil & Refining Corporation filed a complaint with the Interstate Commerce Commission, United States, against Interprovincial and Lakehead for failure to publish a tariff and deliver oil to Clark's refinery in the Chicago area. Clark requested that the Interstate Commerce Commission make an order to correct this situation and asked for damages until the situation is corrected. Because of advice received as to intergovernmental understandings between Canada and the United States concerning imports of Canadian crude oil into the United States, Interprovincial is not in a position to comply with Clark's request at this time. Counsel for the companies is preparing a reply to this complaint which will be filed with the Commission in due course.

10. REMUNERATION OF DIRECTORS:

The total amount deducted on the Consolidated Statement of Earnings for remuneration paid to salaried and other directors was \$82,000.

INTERPROVINCIAL PIPE LINE COMPANY

and subsidiary companies

Auditors' Report

To the Shareholders of

INTERPROVINCIAL PIPE LINE COMPANY:

We have examined the consolidated balance sheet of Interprovincial Pipe Line Company and subsidiary companies as at December 31, 1968 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Edmonton, Alberta,

February 10, 1969

Price Waterhouse Co
Chartered Accountants

Corporate Information

Executive Office

7 King Street East Toronto, Ontario

Head Office

10015—103 Avenue Edmonton, Alberta

Stock Transfer Agents

The Royal Trust Company Toronto, Montreal, Halifax,
Winnipeg, Edmonton, Vancouver

Chemical Bank New York Trust Company New York

Stock Registrars

Montreal Trust Company Toronto, Montreal, Halifax,
Winnipeg, Edmonton, Vancouver

Bank of Montreal Trust Company New York

Ten Year Review

FINANCIAL

(in thousands of dollars except per share amounts)

Income	
Expenses	
Income taxes	
Earnings	
per share	
Dividends paid	
per share	
percentage of earnings	
Working capital (deficit)	
Cash flow from operations	
per share	
Additions to pipe line transportation system	
Investment in pipe line transportation system (cost)	
Investment in pipe line transportation system (net)	
Long term debt, less payments due within one year	
Shares outstanding at year end (thousands)	
Shareholders	

OPERATING

RECEIPTS OF CRUDE OIL PRODUCED IN: (<i>in barrels per day</i>)	
Alberta	
Saskatchewan	
Manitoba	
Ontario	
United States	

DELIVERIES OF CRUDE OIL TO: (<i>in barrels per day</i>)	
Edmonton—for West Coast	
Prairie Provinces	
United States—Superior and West	
—East of Superior	
Ontario	

BARREL MILES (<i>millions</i>)	
--	--

1968	1967	1966	1965	1964	1963	1962	1961	1960	1959
\$106,581	94,441	89,006	80,292	74,983	69,999	66,570	59,227	54,844	55,800
\$ 53,870	45,719	40,599	34,798	32,998	31,013	27,914	25,729	24,029	23,762
\$ 29,377	26,197	25,884	25,157	22,783	21,206	20,977	17,402	15,335	16,434
\$ 23,334	22,525	22,523	20,337	19,202	17,780	17,679	16,096	15,480	15,604
\$ 0.92	0.89	0.89	0.80	0.75	0.70	0.70	0.63	0.61	0.62
\$ 18,316	18,315	18,314	17,551	16,787	15,755	15,491	14,705	14,184	11,389
\$ 0.72	0.72	0.72	0.69	0.66	0.62	0.61	0.58	0.56	0.45
78%	81%	81%	86%	87%	89%	88%	91%	92%	73%
\$ (40,335)	(10,277)	24,409	(12,177)	(18,572)	(16,057)	689	6,821	6,921	7,997
\$ 45,864	39,053	35,286	32,648	30,989	30,443	28,537	25,975	25,458	25,962
\$ 1.80	1.54	1.39	1.28	1.22	1.20	1.12	1.02	1.00	1.03
\$114,189	76,721	4,513	11,172	7,661	23,453	12,350	3,057	5,440	2,667
\$518,799	405,657	334,507	330,676	320,023	312,670	289,465	277,382	274,560	269,626
\$381,215	280,867	216,854	224,765	224,125	226,676	212,805	209,461	215,324	218,665
\$197,257	141,191	119,087	93,663	90,992	100,073	108,378	115,339	123,758	130,926
25,439	25,439	25,436	25,436	25,436	25,415	25,402	25,362	25,342	25,317
21,486	18,321	16,290	15,521	14,127	12,757	12,582	12,353	11,834	11,901
475,437	386,331	340,263	313,923	271,366	271,610	251,214	241,717	204,434	206,607
236,613	239,466	245,435	228,777	216,250	190,281	171,657	146,927	133,528	118,206
17,524	15,863	14,812	14,110	12,608	10,887	11,190	12,611	13,142	13,752
205	—	—	—	—	—	—	—	—	—
—	3,502	6,836	4,903	4,487	4,178	123	—	—	—
<u>729,779</u>	<u>645,162</u>	<u>607,346</u>	<u>561,713</u>	<u>504,711</u>	<u>476,956</u>	<u>434,184</u>	<u>401,255</u>	<u>351,104</u>	<u>338,565</u>
6,013	7,634	8,501	14,595	5,013	3,818	7,172	13,213	18,175	15,370
100,819	99,416	98,316	91,523	85,300	84,358	82,457	75,162	75,365	74,235
116,196	97,371	94,054	85,318	75,990	63,587	55,671	51,921	54,001	50,574
155,075	114,900	83,928	58,383	52,108	50,916	51,288	39,320	8,890	5,186
<u>338,624</u>	<u>317,969</u>	<u>320,145</u>	<u>308,226</u>	<u>285,556</u>	<u>267,903</u>	<u>235,897</u>	<u>220,200</u>	<u>193,039</u>	<u>191,407</u>
<u>716,727</u>	<u>637,290</u>	<u>604,944</u>	<u>558,045</u>	<u>503,967</u>	<u>470,582</u>	<u>432,485</u>	<u>399,816</u>	<u>349,470</u>	<u>336,772</u>
337,978	289,691	267,354	241,264	221,691	207,724	186,562	170,468	137,483	135,569

NOTE: Per share amounts and shares outstanding prior to 1967 adjusted for five-for-one subdivision of capital stock made in May, 1967.

CONSOLIDATED STATEMENT OF EARNINGS*

	For six Months Ended June 30	
	1968	1967
INCOME		
Transportation revenue - - -	\$52,904	\$45,491
Other income - - - - -	592	1,212
	<u>\$53,496</u>	<u>\$46,703</u>
EXPENSES		
Operating expenses - - - -	\$12,792	\$10,494
Taxes, other than income - - -	2,893	2,333
Depreciation and amortization -	6,826	6,252
Interest expense - - - - -	4,250	2,783
	<u>\$26,761</u>	<u>\$21,862</u>
Earnings before income taxes -	\$26,735	\$24,841
Provision for income taxes - -	15,029	13,216
Net earnings - - - - -	<u>\$11,706</u>	<u>\$11,625</u>
Net earnings per share - - - -	46¢	46¢

CONSOLIDATED STATEMENT OF
SOURCE AND APPLICATION OF FUNDS*

SOURCE OF FUNDS

Earnings for period - - - - \$	11,706	\$11,625
Depreciation and amortization -	6,826	6,252
Deferred income taxes - - - -	1,793	825
Debentures issued		—
(\$75,000 U.S.) - - - - -	80,822	—
	<u>\$101,147</u>	<u>\$18,702</u>

APPLICATION OF FUNDS

Dividends - - - - - \$	9,158	\$ 9,157
Capital expenditures - - - -	49,653	44,495
Long term debt reductions - -	6,514	4,994
Other (net) - - - - -	737	323
	<u>\$ 66,062</u>	<u>\$58,969</u>

Increase (Decrease) in Working

Capital during six month		
period - - - - - \$	35,085	(\$40,267)

*Unaudited, \$000's omitted.



INTERPROVINCIAL PIPE LINE COMPANY

INTERIM
REPORT

FOR SIX MONTHS ENDED JUNE 30, 1968

INTERPROVINCIAL PIPE LINE COMPANY AND ITS SUBSIDIARY COMPANIES

INTERIM REPORT TO SHAREHOLDERS FOR THE SIX MONTH PERIOD ENDING JUNE 30, 1968

EARNINGS

As detailed in the Consolidated Statement of Earnings shown on the last page of this report, net earnings for the first six months of 1968 were \$11,706,000, equivalent to 46¢ per share. This is an increase of \$81,000 over the \$11,625,000 earned during the same period in 1967.

Transportation revenue was \$7.4 million higher than in 1967 but, as expected, this additional income was largely offset by increased property taxes, depreciation, and interest charges as a result of the extensive expansion program in 1967 and additional operating costs associated with the higher volumes.

The fuel and power bill for the first half of 1968 was \$1.7 million more than for the same period in 1967. A large part of this increase was due to having to operate the ten temporary pumping stations on the 30-inch line from Superior to Sarnia to meet the increased demand for crude oil east of Superior. Salaries and wages were also higher than in 1967, as were maintenance costs.

Income taxes in the first six months of 1968 were \$717,000 higher than they would otherwise have been as a result of the 3% surtax in Canada and the 10% surtax in the United States effective January 1, 1968. This tax increase is the equivalent of close to 3¢ per share.

OPERATIONS

As shown in the following table, crude oil deliveries were 89,600 barrels per day more in the first half of 1968 than in the similar period in 1967 while barrel miles were 20% higher.

Deliveries (barrels per day)	First Six Months	
	1968	1967
Western Canada - - - - -	108,035	105,877
United States - - - - -	264,820	198,503
Ontario - - - - -	344,845	323,720
	<u>717,700</u>	<u>628,100</u>
Barrel Miles (millions) - - - -	170,034	141,111

CONSTRUCTION

The extensive expansion program undertaken this year is proceeding on schedule. The major project, namely the 464-mile 34-inch line from Superior to the Chicago area where the line will connect with an existing carrier, has encountered some delays due to wet weather, but should be in service before the end of the

year. The 149 miles of 34-inch line looping in Western Canada has been completed and is now in the process of being tested and filled with oil. The balance of the 1968 line looping program consisting of 33 miles of 34-inch line looping between Gretna, Manitoba and Superior is scheduled to commence on August 15.

The automation program undertaken in 1966 was also completed. All pumping stations from Edmonton to Deer River, Minnesota inclusive are now remotely controlled from Edmonton through the computer.

As mentioned at the Annual Meeting on April 10, it is now estimated that the line to Chicago will cost close to \$76 million U.S. (\$82 million Canadian currency). As a result capital expenditures in 1968 are now expected to total approximately \$115 million.

FINANCING

To provide funds for the United States' portion of the 1968 construction program, on April 15, 1968 the company's subsidiary, Lakehead Pipe Line Company, Inc. sold \$75 million (U.S.) 7½% 25-year Sinking Fund Debentures at \$99.50 to yield 7.17%.

The balance of the funds required for this year's construction program will be derived from funds generated within the companies and by utilizing lines of credit established with certain Canadian banks.

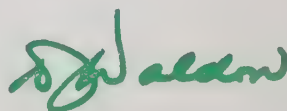
DISPUTED INCOME TAXES

At the Annual Meeting, shareholders were advised that in April 1968 the Supreme Court of Canada upheld the previous judgment of the Exchequer Court in the company's withholding tax case. While disappointing, this decision does not affect reported earnings as the disputed taxes for the years 1960 to 1967 were provided for and paid each year.

DIVIDENDS

On July 24, 1968, your Board of Directors declared a quarterly dividend of 18¢ per share payable September 3 to shareholders of record August 7, 1968. This is the same quarterly rate as was paid in 1967 and in the first two quarters of 1968.

Edmonton, Alberta
July 31, 1968


President

FILE

INTERPROVINCIAL PIPE LINE COMPANY
GENERAL INFORMATION BOOKLET



INTERPROVINCIAL PIPE LINE COMPANY

Interprovincial Pipe Line Company and its wholly owned subsidiary, Lakehead Pipe Line Company, Inc., own and operate the largest crude oil pipe line in the free world - a 1,929 mile line stretching from Redwater, Alberta, north of Edmonton, to Port Credit, Ontario, just west of Toronto.

The system consists of two parallel lines of pipe from Edmonton to Superior, Wisconsin (a new third line will be completed between these points in 1969); a single line from Superior to Port Credit via northern Michigan; a branch line to Buffalo, New York; a lateral line from Superior to Griffith, Indiana, which when extended from Griffith to Sarnia in 1969 will provide a second line between Superior and Sarnia via Chicago.

The Company operates as a common carrier and is engaged exclusively in the transportation of crude petroleum at established tariffs.

HISTORY

Interprovincial Pipe Line Company was incorporated by a special act of the Parliament of Canada in 1949. Lakehead Pipe Line Company, Inc., was incorporated in the United States in the same year.

In 1950, the Company constructed a large diameter pipe line from Edmonton to Superior. This line, with an extension to Redwater, was 1,128 miles long and was in operation by December, 1950.

Additional construction of loop lines, extensions of the main line, stations, tankage or other facilities has taken place each year since 1950.

CONSTRUCTION HIGHLIGHTS

- 1950 - Main line construction; Edmonton to Superior, plus a leg from Redwater to Edmonton. Total length 1,128 miles. Construction time, 150 days. Included eight diesel-powered pumping stations located at Redwater (2 stations) and Edmonton, Alberta; Kerrobert and Regina, Saskatchewan; Cromer and Gretna, Manitoba; Clearbrook, Minnesota. Tankage at Redwater, Edmonton, Stony Beach, Regina, Brandon, Gretna and Superior totalled 3,328,000 bbls. Total net cost of 1950 construction, \$68,365,000.
- 1951 - Six additional diesel pumping stations at Excelsior and Hardisty, Alberta; Loreburn and Glenavon, Saskatchewan; Glenboro, Manitoba and Viking, Minnesota to handle additional throughputs forecast. Also added 2,642,000 barrels of tankage at Superior, Edmonton and Excelsior. Total net construction costs \$11,803,000.
- 1952 - One new pumping station constructed at Deer River, Minnesota. An additional engine installed at each of the Redwater No. 1, Hardisty and Loreburn pumping stations and two additional engines at Glenboro. One hundred miles of line looping with 16-inch pipe completed in four sections between Regina and Gretna. An additional 1,353,000 barrels of tankage added at Redwater, Edmonton, Milden, Stony Beach, Regina, Cromer, Wrenshall and Superior. Net 1952 construction costs \$12,298,000.

- 1953 - Installed 30-inch line from Superior to Sarnia, a distance of 645 miles, in 159 days. This line included construction of two four-mile 20" lines across the Straits of Mackinac (243 ft. deep) constituting probably the most difficult water crossing attempted in pipe line history. One new diesel pumping station added at Superior. Temporary units installed at Camrose, Provost, Milden and Chamberlain. In addition, 134 miles of 24-inch pipe was completed in four loops between Regina and Gretna and additional diesel engines installed at Viking, Clearbrook and Deer River stations. Total net cost of 1953 construction \$81,112,000.
- 1954 - Additional sections of the second 24-inch line laid between Edmonton and Regina (in four loops) and between Regina and Gretna (in five loops). Four loops of 26-inch line also were constructed between Gretna and Superior. Total length of looping was 652 miles. Diesel station additions for the second line were completed at Regina, Glenavon, Cromer, Glenboro, Gretna, Viking, Clearbrook and Deer River. A second diesel station was added to the 30" line at Saxon, Wisconsin. Additional tankage added at Edmonton, Regina, Cromer, Gretna and Clearbrook, totalling 847,000 barrels. Total net cost of construction was \$50,358,000.
- 1955 - There was no major construction work undertaken in 1955.
- 1956 - A third pumping station begun on the Superior-to-Sarnia line at Indian River, Michigan. This was the first electrically powered station built on the system, all others to that time were diesel powered. About 67 miles of 24-inch pipe (in two loops) added between Regina and Gretna and 52 miles of 26-inch pipe (two loops) completed between Gretna and Superior. One new diesel engine installed at Cromer and 568,000 barrels of tankage completed at Cromer. Total net cost \$10,625,000.
- 1957 - Another major step taken with construction of a 156-mile, 20-inch extension from Sarnia to Port Credit, near Toronto. Indian River station was completed. One new electric pumping station added at Sarnia and 456,000 barrels of tankage at Sarnia and Cromer. In addition, 33 miles of 24-inch pipe (in two loops) completed between Regina and Gretna and 78 miles of 26-inch pipe completed between Gretna and Superior. The construction of these lines gave the company a complete second line from Regina to Superior. Additional diesel engines added at Regina, Glenboro, Gretna, Viking and Clearbrook and a fourth pumping station started on the 30" line at Gould City (electrically powered) in Michigan. Temporary units moved from Camrose, Provost, Milden and Chamberlain to Edmonton, Hardisty, Kerrobert and Loreburn. Total net cost of 1957 construction \$22,405,000.
- 1958 - 82 miles, 24-inch line between Edmonton and Regina in four loops. This construction completed the second line between Edmonton and Superior. One additional diesel pumping unit added at each of Regina, Glenavon, Cromer and Glenboro. Gould City electric station on the 30-inch line was completed and another electric station added at Bay City, Michigan. 176,000 barrels of tankage added at Sarnia and Edmonton. Total net cost of 1958 construction \$10,303,000.

- 1959 - Electric pumping stations were built at Edmonton for Line 2 and at Iron River on the 30" line. 56,000 barrels of tankage added at Kerrobert. Total net cost of 1959 construction \$2,356,000.
- 1960 - Five electric pumping stations built at Kerrobert, Saskatchewan; Souris and Manitou, Manitoba; and Donaldson and Plummer, Minn. An additional electric unit added to each of Gould City, Mich., and Sarnia, Ont. a diesel unit added to Superior and Saxon, Wis. 406,000 barrels of tankage added at Clearbrook and Sarnia. Total net cost of 1960 construction \$4,934,000.
- 1961 - One additional diesel unit at Glenavon, Saskatchewan. 160,000 barrels of take-off tankage added at Westover. Total net cost of 1961 construction \$2,822,000.
- 1962 - First of 34-inch line looping program completed between Clearbrook and Deer River, with 39 miles of line looping. Six new remote controlled outdoor electric booster stations added in the United States, three in Canada and additional pumping units at Cromer and Glenboro. Lakehead (U.S.) stations were at Ino, Wis., and Gogebic, Rapid River, Mackinaw, Lewiston and North Branch, Mich. Canadian electric stations added at Hardisty, Alta.; Loreburn, Sask. and Bryanston, Ont. 270,000 barrels of tankage built at Cromer and Sarnia. Total net cost of 1962 construction \$12,083,000. Extension to Buffalo begun late in 1962.
- 1963 - Extension to Buffalo, New York completed in late spring. This is a 92-mile line, 12-inch diameter pipe, extending from Westover, Ontario to Buffalo, New York. The 34-inch looping program continued with 166 miles of pipe laid; 125 miles in Minnesota and 41 miles in Manitoba. In Minnesota, seven loops constructed between Gretna, Man. and Superior, Wis. and in Manitoba, four loops to be built near Souris, Glenboro, Manitou and Gretna. In addition, a 500 h.p. electric unit installed at Westover, Ont., to pump oil through the Buffalo extension; a 690 h.p. temporary diesel unit installed at Keyser, Ont., being moved from Kerrobert, Sask., and a 690 h.p. temporary diesel unit installed at Wolverton, Ont., being moved from Hardisty, Alberta. Two 5,000-barrel tanks at Cromer were sold. Total net cost of 1963 construction \$23,205,000.
- 1964 - The line-looping program continued, with 53 miles of 34-inch pipe laid in Manitoba. Four loops were built between Cromer, Glenboro, Manitou and Gretna stations, forming extensions of the four 1963 loops in that province. In addition, a 2,600 h.p. electric unit installed at Gretna, Man., to increase pumping power in the area of the looping and 2,160 h.p. diesel units added at both Viking and Clearbrook, Minnesota. New 2,500 h.p. electric units were installed at Keyser and Wolverton, in Ontario, replacing the 690 h.p. temporary diesels. Total net cost of 1964 construction \$8,063,000.

- 1965 - Line looping program with 34-inch pipe continued, with 49 miles being added in Saskatchewan and 23 miles in North Dakota and Minnesota. Two loops built in Saskatchewan with a 22-mile loop laid between Davin and Kendall and 27 miles laid between Kipling and Kelso. On Lakehead system, a 14-mile loop laid from Joliette, North Dakota, to a point one mile east of the Red River, in Minnesota. The second loop was a nine-mile stretch between Donaldson and Viking stations, in Minnesota. In addition, 2,500 h.p. electric units added at Cromer and Glenboro, Manitoba and a 2,000 h.p. diesel unit installed at Deer River, Minnesota. One 150,000-barrel floating roof tank added to tank farm at Sarnia. Capacities of tankage pumpout facilities at Regina and Sarnia also were increased. Total net cost of 1965 construction, \$11,200,000.
- 1966 - Work begun on a \$4,700,000 modernization program, to include electrification of pumping stations in Manitoba and remote control of the system between Edmonton and Superior, Wisconsin. Stations to be converted are Cromer, Glenboro and Gretna. Other items include modifications and additions to the tank farm piping at Superior; construction of new pumping stations at Manistique and West Branch, Michigan, (both electric, controlled from Superior); addition of Saxon diesel station to Superior remote control circuit; addition of one new 2,160 h.p. diesel unit at Superior. In Canada, construction began on new stations at Metiskow, Alberta, and Mildren, Saskatchewan, with temporary 690 h.p. diesel units being installed initially (Since replaced with permanent units. See 1967); one new 1,000 h.p. electric unit at Westover, Ontario; fixed roofs replaced by floating roofs on Tanks 111 and 112 at Gretna and Tank No. 1 at Edmonton. In addition to actual construction, a series of line tests were completed in 1966, allowing the system to operate at greater pressures on certain sections. Total net cost of 1966 construction, \$6,050,000.
- 1967 - Line looping program resumed, with 415 miles of 34-inch pipe and 57 miles of 20-inch pipe installed. In Western Division, 312 miles of 34-inch looping completed near Strome (20 miles), Metiskow (14 miles), Kerrobert (46 miles), Mildren (44 miles) Craik (10 miles), Regina (42 miles), Glenavon (23 miles), Cromer (53 miles), Souris (18 miles), Glenboro (17 miles), Manitou (23 miles), Gretna (2 miles).
- Also 104 miles of 34-inch looping in District 3. Loops located near Gretna (15.7 miles), Viking (10 miles), Plummer (14 miles), Clearbrook (24 miles), Deer River (22 miles) and Superior (18.4 miles).
- In Ontario, 20-inch loops built near Keyser (9 miles), Bryanston (11 miles), Wolverton (14 miles) and Westover (23 miles).

1967 (Continued)

Additional pumping units added in Canada at: Edmonton (2 units for 5,000 h.p.); Strome (3 units for 6,500 h.p.); Hardisty (1 unit for 2,500 h.p.); Metiskow (4 units for 9,000 h.p.); Kerrobert (2 units for 5,000 h.p.); Milden (4 units for 9,000 h.p.); Craik (4 units for 9,000 h.p.); Regina (2 units for 5,000 h.p.); Glenavon (2 units for 5,000 h.p.); Sarnia (2 units for 5,000 h.p.); Bryanston (1 unit for 2,500 h.p.); Westover 1 unit for 2,000 h.p.); Smithville (2 units for 3,000 h.p.). Note: Strome, Craik and Smithville are new stations. In all other cases units are additional to existing facilities.

Additional pumping units added in the United States at: Viking (2 units for 4,080 h.p.); Clearbrook (2 units for 4,080 h.p.); Deer River (2 units for 4,080 h.p.); Superior (Complete new station with 4 units for 14,000 h.p.); Saxon (2 units for 4,080 h.p.); Gould City (1 unit for 2,500 h.p.); Bay City (1 unit for 2,500 h.p.); Indian River (1 unit for 2,500 h.p.).

Ten intermediate stations built on 30-inch line between Superior, Wisconsin, and Sarnia, Ontario. All but one--a diesel unit located at Vanderbilt, Michigan--are electric stations. They were located at Maple (2,500 h.p.) and Ashland (2,500 h.p.) in Wisconsin; Wakefield (2,500 h.p.), Watersmeet (2,500 h.p.), Arnold (2,500 h.p. and 1,250 h.p.), Naubinway (2,500 h.p.), Eagles Nest (2,500 h.p.), Vanderbilt (2,455 h.p. diesel), Vassar (2,500 h.p.) and Brockway (1,250 h.p.) in Michigan, deliveries to refineries from terminal at Clarkson, Ontario, put on remote control.

Two new working tanks were built--one 150,000-barrel tank at Sarnia and one 120,000-barrel tank at Westover in Ontario. Tank farm and manifold modifications were carried out at Edmonton, Kerrobert, Cromer, Superior and Sarnia. Total net cost of 1967 construction, \$76,721,000.

1968 - An extension to the Chicago area will be completed in December, 1968. This is a 464-mile, 34-inch line from Superior, Wisconsin to Griffith, Indiana, just southeast of Chicago.

Line looping program continued with 149 miles of 34-inch pipe added in Western Division between Edmonton, Alberta and Cromer, Manitoba. Also 33 miles of 34-inch looping in District 3 between Donaldson and Clearbrook, Minnesota.

Additional pumping units were added in Canada at: Edmonton (2 units for 4,000 h.p.); Kerrobert (1 unit for 2,500 h.p.); Cromer (3 units for 5,000 h.p.); Glenboro (1 unit for 2,000 h.p.). One additional pumping unit was added in U.S. at Clearbrook (1 unit for 2,040 h.p.). New pumps were added for two existing units at Edmonton and one existing unit at Hardisty, Loreburn, Regina, Cromer, Glenboro, Viking, Clearbrook and Deer River.

1968 (Continued)

Four floating roof tanks were built: two 150,000-barrel tanks at Edmonton, one 150,000-barrel tank at Sarnia and one 217,000-barrel tank at Superior.

Station and piping modifications were carried out at Edmonton, Strome, Metiskow, Milden, Craik and Regina; tank farm modifications at Edmonton; a manifold booster pump added at Westover and station modifications at Superior.

SYSTEM HIGHLIGHTS (1968 Construction Included)

Mileage

1,929 miles main line - Redwater to Port Credit
1,097 miles second line - Edmonton to Superior
100 miles of loop line (16") near Glenavon, Sask. and Glenboro, Man.
927 miles loop line (34") - 42 loops between Edmonton and Superior
57 miles loop line (20") - 4 loops between Sarnia and Port Credit
92 miles extension - Westover, Ontario to Buffalo, New York
464 miles extension - Superior, Wisconsin to Griffith, Indiana

TOTAL MILEAGE - 4,666 (Plus 4 miles for
double crossing of
Straits of Mackinac)

Pipe Diameters

12"	-	92 miles	
16"	-	428 miles	
18"	-	362 miles	
20"	-	659 miles	
24"	-	772 miles	
26"	-	325 miles	
30"	-	641 miles	
34"	-	<u>1,391 miles</u>	
		<u>4,670 miles</u>	(Including double lines across Straits of Mackinac)

Line Fill

It takes 16,267,510 barrels of oil to fill the line.

Pumping Stations

There are 52 pumping stations located at Redwater, Excelsior, Edmonton, Strome, Hardisty, Metiskow, (Alberta); Kerrobert, Milden, Loreburn, Craik, Regina, Glenavon, (Saskatchewan); Cromer, Souris, Glenboro, Manitou, Gretna, (Manitoba); Donaldson, Viking, Plummer, Clearbrook, Deer River, (Minnesota); Superior, Maple, Ino, Ashland, Saxon, (Wisconsin); Wakefield, Gogebic, Watersmeet, Iron River, Arnold, Rapid River, Manistique, Gould City, Naubinway, Brockway, Mackinaw, Eagles Nest, Indian River, Vanderbilt, Lewiston, West Branch, Bay City, North Branch, (Michigan); and Sarnia, Keyser, Bryanston, Wolverton, Vassar, Westover and Smithville, (Ontario). Total pumping horsepower, including 1968 additions, will be 407,000 h.p.

Tankage

The company has in operation a total of 98 working tanks at various locations along the line, (see map legend) holding a total of 9,464,000 barrels of oil. These tanks range in size from 5,000 to 217,000 barrels capacity and are used to facilitate movement of the batches.

Administration

During 1968 a new district was formed to manage operations of the new extension from Superior to the Chicago area. This was designated District 5 while the previous District 5 in Ontario was changed to District 7. District 5 headquarters are located in Fort Atkinson, Wisconsin.

Employees

About 560 employees - approximately 185 with Lakehead Pipe Line Company, Inc. and 375 with Interprovincial Pipe Line Company.

Housing

The company owns 55 housing units, rented to certain of its employees in locations where normal housing is not available.

Investments

As of December 31, 1967 the total investment in plant and equipment was \$411,228,083 (estimated 1968 expenditures are \$113,154,000). Including 1968 construction, this is \$953,000 investment per employee.

Capacity

Upon completion of the 1968 construction program the capacity of the various sections of the pipe line system will be as follows:

Redwater - Edmonton	96,000 bbls. per day
Edmonton - Regina	633,000 bbls. per day
Regina - Cromer	823,000 bbls. per day
Cromer - Gretna	862,000 bbls. per day—
Gretna - Superior	821,000 bbls. per day
Superior - Sarnia	536,000 bbls. per day
*Superior - Chicago	204,000 bbls. per day
Sarnia - Port Credit	281,000 bbls. per day
Westover - Buffalo	79,000 bbls. per day

* With one pumping station.

Operation

The system delivered 232.6 million barrels of oil in 1967, which averaged 637,290 barrels per day. In September, 1968, deliveries reached 758,246 barrels per day, the highest rate for one month in the company's history. At September 31, the average deliveries for the first nine months of 1968 stood at 726,349 barrels per day.

The Interprovincial system is connected with the following gathering and/or transmission pipe lines and receives deliveries from them at the points indicated:

Mitsue Pipeline Ltd.	Redwater, Alberta
Britamoil Pipe Line Co. Ltd.	Edmonton, Alberta
Edmonton Pipe Line Co. Ltd.	Edmonton, Alberta
Federated Pipe Lines Ltd.	Edmonton, Alberta
Imperial Pipe Line Co. Ltd.	Redwater, Excelsior and Edmonton, Alberta
Peace River Oil Pipe Line Ltd.	Edmonton, Alberta
Pembina Pipe Line Ltd.	Edmonton, Alberta
Nisku Products Pipe Line Co. Ltd.	Edmonton, Alberta
Rimbey Pipe Line	Edmonton, Alberta
Texaco Explorations Co.	Edmonton, Alberta
Great Canadian Oil Sands Ltd.	Edmonton, Alberta
Gibson Associated	Hardisty, Alberta
Husky Pipeline Ltd.	Hardisty, Alberta
Bow River Pipe Line Ltd.	Hardisty, Alberta
Hardisty Storage Pipe Line Co.	Hardisty, Alberta
Mid-Saskatchewan Pipe Lines Ltd.	Kerrobert, Saskatchewan
South Saskatchewan Pipe Lines Co.	Regina, Saskatchewan
Trans-Prairie Pipe Lines Ltd.	Cromer, Manitoba
Westspur Pipe Line Co.	Cromer, Manitoba
Portal Pipe Line Co.	Clearbrook, Minnesota

Operation (Continued)

The system is connected with the following pipe lines and delivers crude oil to them at points indicated.

Trans Mountain Oil Pipe Line Co.	Edmonton, Alberta
Husky Pipeline Ltd.	Hardisty, Alberta
Saskatoon Pipe Line Ltd.	Milden, Saskatchewan
B.A. (Saskatchewan) Pipe Line Ltd.	Stony Beach, Saskatchewan
Anglo-Canadian Oils Ltd.	Souris, Manitoba
Winnipeg Pipe Line Co. Ltd.	Gretna, Manitoba
Minnesota Pipe Line Co.	Clearbrook, Minnesota
Bay Pipe Line Corp.	Bay City, Michigan
Michigan-Ohio Pipe Line Co.	Bay City, Michigan
Buckeye Pipe Line Co.	Port Huron, Michigan
Tecumseh Pipe Line Co.	Griffith, Indiana (effective Jan. 1969)

The Interprovincial system either directly or in conjunction with its connecting carriers transports Western Canadian crude oil to refineries at:

Saskatoon, Moose Jaw and Regina, Saskatchewan
Brandon and Winnipeg, Manitoba
St. Paul-Minneapolis area and Wrenshall, Minnesota
Superior, Wisconsin
West Branch, Alma, Bay City and Rapid River, Michigan and the
Detroit-Toledo area.
Sarnia, Clarkson, Oakville and Port Credit, Ontario
Buffalo, New York

Interprovincial Pipe Line Company
P.O. Box 398
Edmonton, Alberta

November 30, 1968

LEGEND

- Pump Station Existing
- Pump Station Proposed
- Pipe Line From Delivery Point
- Pipe Line To Injection Point
- Connected Refinery
- Connected Crude Oil Pipe Line
- Division Office
- District Office

CONNECTED REFINERIES

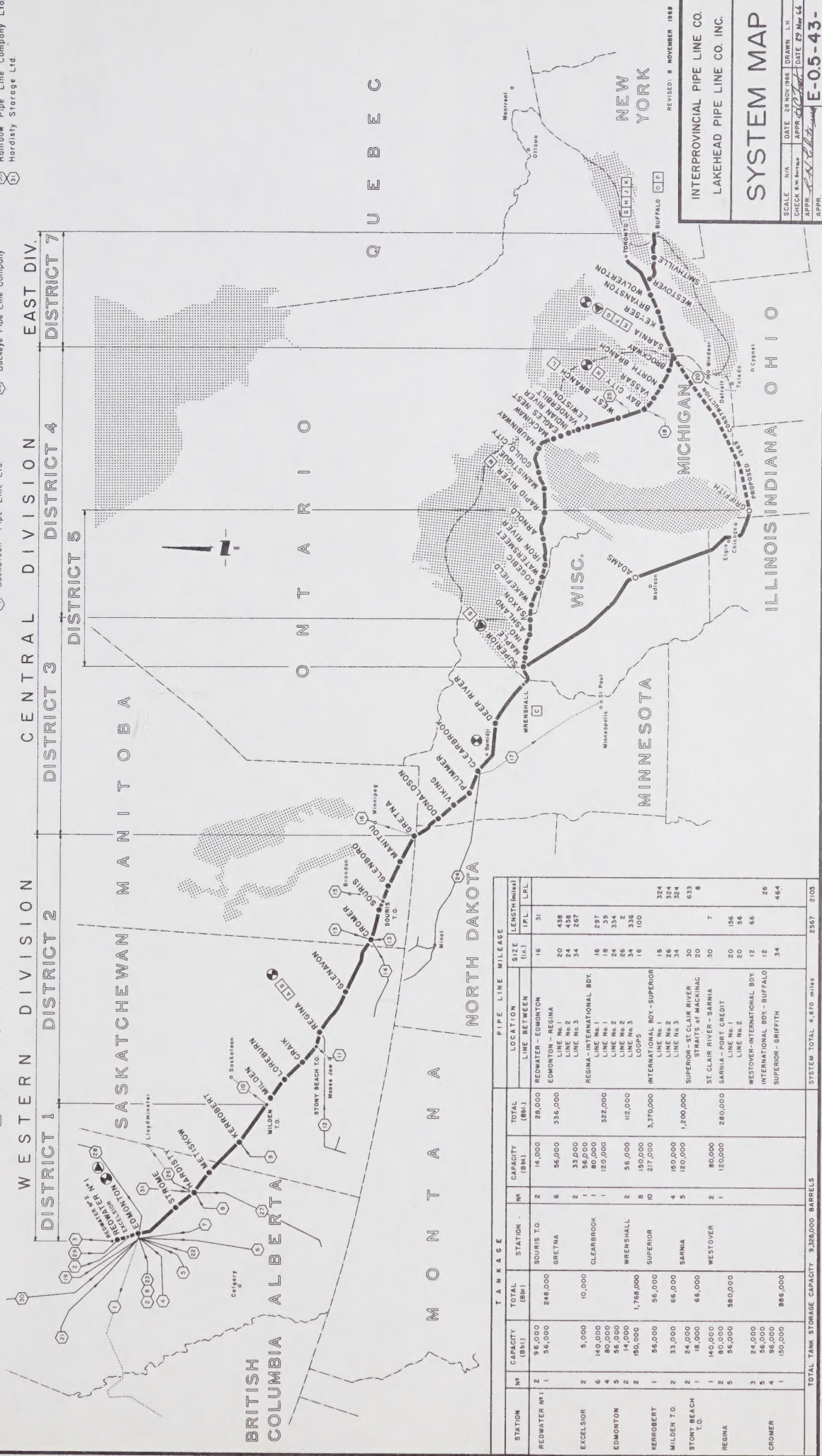
- 1 Consumers' Co-operative Refineries Ltd.
- 2 Imperial Oil Limited
- 3 International Refineries Inc.
- 4 Murphy Oil Company Ltd.
- 5 Ashland Oil & Refining Company
- 6 Mobil Oil Company
- 7 Sun Oil Company Limited
- 8 Shell Canada Limited
- 9 B.P. Canada Limited
- 10 The British American Oil Company Limited
- 11 Regent Refining (Canada) Limited

CONNECTED PIPE

- 1 Trans-Mountain Oil Pipe Line Company
- 2 The Imperial Pipe Line Company Ltd.
- 3 B.A. (Alberta) Pipe Line Limited
- 4 Pembina Pipe Line Ltd.
- 5 Texaco Exploration Company
- 6 Brimoli Pipe Line Co. Limited
- 7 Canadian Industrial Gas & Oil Ltd.
- 8 Gibson Petroleum Company Limited
- 9 Mid-Saskatchewan Pipe Lines Ltd.
- 10 Saskatoon Pipe Line Ltd.
- 11 B.A. (Saskatchewan) Pipe Line Ltd.
- 12 South Saskatchewan Pipe Line Co.
- 13 Trans-Prarie Pipelines Ltd.
- 14 Westpur Pipe Line Company
- 15 Anglo-Canadian Oils Limited
- 16 Winnipeg Pipe Line Company Limited
- 17 Minnesota Pipe Line Company
- 18 Michigan-Ontario Pipe Line Co.
- 19 Federated Pipe Lines Ltd.
- 20 Buckeye Pipe Line Company

LINES

- 21 Peace River Oil Pipe Line Co. Ltd.
- 22 Rimber Pipe Line
- 23 Nisku Products Pipe Line Co. Ltd.
- 24 Partial Pipe Line Company
- 25 Leonard Refineries Inc.
- 26 Husky Oil Canada Ltd.
- 27 Bow River Pipe Lines Ltd.
- 28 Great Canadian Oil Sands Ltd.
- 29 Mitsui Pipeline Ltd.
- 30 Rainbow Pipe Line Company Ltd.
- 31 Hardisty Storage Ltd.



TANKAGE				PIPE LINE MILEAGE				
STATION	NO	CAPACITY (BBL)	STATION	NO	CAPACITY (BBL)	TOTAL (BBL)		
REDWATER T.O.	1	96,000	SOURIS T.O.	2	14,000	28,000		
	2	56,000		6	56,000	356,000		
EXCELSIOR	2	5,000	GRENA	2	33,000	33,000		
	6	140,000		1	56,000	56,000		
EDMONTON	4	80,000	CLEARBROOK	1	80,000	322,000		
	5	56,000		1	120,000	112,000		
	2	14,000		8	150,000	112,000		
	2	150,000		2	56,000	112,000		
KEROBERT	1	56,000	SUPERIOR	10	217,000	3,370,000		
	2	33,000		4	180,000	3,370,000		
MILDEN T.O.	2	24,000	SARNIA	5	120,000	1,200,000		
	1	18,000		2	80,000	1,200,000		
STONY BEACH T.O.	1	140,000	WESTOVER	2	120,000	280,000		
	2	80,000		1	120,000	280,000		
REGINA	5	56,000	WESTOVER-INTERNATIONAL BOY	20	156	20		
	2	80,000		20	56	20		
CROMER	3	24,000	INTERNATIONAL BOY - BUFFALO	12	66	12		
	5	56,000		12	66	12		
	4	96,000		34	464	34		
	1	150,000						
TOTAL TANK STORAGE CAPACITY				9,320,000 BARRELS		SYSTEM TOTAL 4,810 miles	2567	2103

REVISED 8 NOVEMBER 1968

INTERPROVINCIAL PIPE LINE CO.
LAKEHEAD PIPE LINE CO. INC.

SYSTEM MAP

SCALE - 1 IN. = 25 MILES
DATE 28 NOV 68
CHECKED BY [Signature]
APPROVED BY [Signature]
DATE 29 Nov 68
APPX. E-05-43-

